

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02

OMB-01 SWF-02 DRC-01 /194 W
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R 241656Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4990

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION NATO

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 7195

E.O. 11652: GDS

TAGS: EFIN, ETRD, GAT, IT

SUBJECT: ITALIAN IMPORT DEPOSIT REQUIREMENT

1. ECON-COMM MINISTER LEFT WITH FRANCISCI (DIRECTOR GENERAL
GUAZZARONI'S DE FACTO DEPUTY FOR EC AFFAIRS IN THE MINISTRY OF
FOREIGN AFFAIRS) NOTE REQUESTING FAVORABLE CONSIDERATION OF
EXEMPTION FROM IMPORT DEPOSIT REQUIREMENTS OF GOODS IN TRANSIT
(ROME 7069 NOTAL). IN DISCUSSION WHICH FOLLOWED, FANCISCI
MADE THE FOLLOWING COMMENTS ON THE GOI MEASURE:

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A. WHILE TECHNICAL MODIFICATIONSTO CLARIFY WORKING OF THE

IMPORT DEPOSIT REQUIREMENT (IDR) WILL TAKE PLACE NEXT WEEK, NO IMPORTANT CHANGES CAN BE EXPECTED. FINANCE MINISTER COLOMBO WISHES TO LEAVE IDR SYSTEM INTACT FOR AT LEAST SEVERAL MONTHS BEFORE EVEN DISCUSSING ANY MAJOR CHANGES. THIS MEANS THAT THE US HAS ONLY A SLIGHT POSSIBILITY OF GETTING PRIOR SHIPMENTS EXEMPTED DESPITE ITS GOOD ARGUMENTS ON RECIPRICITY.

B. GOI IS PARTICULARLY CONCERNED ABOUT PRESSURES FROM THE COMMISSION TO MODIFY THE IDR TO EXEMPT SOME OR ALL FARM PRODUCTS. THE LONG SERIES OF MEETINGS ON MAY 17 WITH EC COMMISSIONER LARDINOIS (ROME 7070) HAD BEEN INCONCLUSIVE ON THIS POINT FOR TWO REASONS. FIRST, GOI DOES NOT WANT ANY CHANGES IN IDR SYSTEM AT THIS POINT AND SECOND, LARDINOIS HAD COME IN WHAT APPEARED TO ITALIANS TO BE VIRTUALLY A PERSONAL CAPACITY. IN EXPLORING VARIOUS LINES OF APPROACH, LARDINOIS HAD ACKNOWLEDGED THAT NOTHING OF THIS HAD BEEN DISCUSSED WITHIN THE COMMISSION AND THUS DID NOT REPRESENT COMMISSION PROPOSALS.

C. THE STRONGEST REACTION TO THE IDR HAD COME FROM THE FRG. A GERMAN DELEGATION, HEADED BY DIRECTOR GENERAL HERMES OF THE OFFICE OF THE FEDERAL CHANCELLOR, HAD BEEN IN ROME EARLIER IN THE WEEK TO EXPRESS CONCERN OVER THE IDR AND BEYOND THIS FURTHER CONCERN OVER THE SERIOUS DIFFICULTIES OF THE ITALIAN ECONOMY. AMBASSADOR HERMES HAD TOLD ITALIAN INTERLOCUTORS THAT THE FRG WOULD BE PREPARED TO PROVIDE SUBSTANTIAL ASSISTANCE ON THE CONDITION THAT GOI WOULD BE PREPARED TO ACT RESPONSIBLY IN UNDERTAKING SUITABLE PROGRAM. NO CONCLUSIONS WERE REACHED BUT TREASURY MINISTER COLOMBO WILL MEET WITH FRG OFFICIALS EITHER IN BONN OR BRUSSELS PRIOR TO JUNE 3-4 EC MINISTERIAL WHICH HE WILL ATTEND WITH MORO. IN PARTICULAR THE FRG REPS WANTED TO KNOW WHAT FURTHER STABILIZATION MEASURES THE GOI IS CONTEMPLATING AND IT IS TO THIS PARTICULAR ISSUE THAT COLOMBO WILL ADDRESS HIMSELF, SINCE IT IS NOW UNDER CONSIDERATION WITHIN GOI. (COMMENT: IT IS NOT CLEAR WHETHER FRG PROPOSAL WAS BILATERAL OR THROUGH EC.)

D. THE GOI IS ALSO CONCERNED WITH REPORTS THAT FRANCE IS CONSIDERING ARRANGEMENTS FOR AGRICULTURAL PRODUCTS DESIGNED TO OFFSET THE IDR. IT SEEMS QUITE PROBABLE THAT THIS CAN BE DONE IN SUCH A WAY AS TO APPEAR NON-

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GOVERNMENTAL. GOI IS CONCERNED THAT ANY SUCH MEASURE WOULD IMMEDIATELY CALL FORTH SIMILAR FINANCIAL PROGRAMS FROM OTHER EC COUNTRIES, PARTICULARLY THE FRG.

2. AS REGARDS PREVIOUS POINT, ECOMIN STRESSED THAT USG WOULD EXAMINE ANY SUCH MEASURES CAREFULLY FOR SIGNS OF DISCRIMINATION. FRANCISCI STRESSED THAT NONDISCRIMINATION IS A CENTRAL ELEMENT OF THE IDR AND IS ESSENTIAL IF IT IS TO HAVE THE DESIRED BALANCE

OF PAYMENTS EFFECTS. HE NOTED PERSONALLY THAT HE BELIEVES THAT
IDR WILL PROBABLY PROVE INSUFFICIENT AND WILL HAVE TO BE
SUPPLEMENTED BY FURTHER MEASURES.VOLPE

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